Secrets. II-27—40,000—27-10-47.

FINANCE (1947) Department.

Mis. SERIES.

G.O. No. 963

Dated 8th December 1947.

[Despatch Abstract.]

WAYS AND MEANS - Borrowing in 1947-48 from the Central Government
Papers recorded.

Finance (Ways and Means) Department

Letter No.32152 W.M.-1, dated 28th May 1947.

To

The Secretary to the Government of India,
Finance Department,
NEW DELHI.

Sir,

Sub: Provincial Borrowings from the Government of India during 1947-1948.

Ref: Mr. Narayanaswamy's letter No.F.3(1)-P/47, dated the 6th February 1947.

***

I am directed to invite a reference to the correspondence resting with the Government of India, Finance Department letter cited and to state that the Madras Government confirm their previous proposal to borrow Rs.6 crores from the Government of India during 1947-48 for financing capital expenditure on Irrigation, Electricity etc. schemes and loans to local bodies, agriculturists etc.

The Madras Government presume that the Government of India will communicate, in due course, the probable month and date in 1947 when the amount will be adjusted to their credit.

Your obedient servant,

Sd. x x x
28-5-1947.

/TRUE COPY/

GOVERNMENT OF INDIA,
Ministry of Finance.
No.D.9783-B/47.

New Delhi, the 13th November 1947.

From

M.V. Rangachari, Esquire,
Deputy Secretary to the Government of India.

To

The Accountant General, Central Revenues,
NEW DELHI.

Subject: Grant of a loan of Rupees Six crores to the Government of Madras.

***

Sir,

I am directed to state that the Government of India have sanctioned the grant of a loan of Rupees Six Crores to the Government of Madras for productive development schemes. Arrangements may kindly be made to place the amount at the credit of the Provincial Government on the 15th November 1947 positively by debit to the Central Government under the head "Q-Loans and Advances - Advances to Provincial Governments". The loan will bear interest at the rate of 2-7/8% per annum with effect from the 15-11-47, and unless any arrangement for earlier payment is agreed to between the two Governments, is repayable on the 15th November 1962. The interest on the loan will be paid by the Provincial Government half-yearly on the 15th May and the 15th November, the first instalment being payable on the 15th of May 1948.

I have the honour to be,
Sir,
Yours most obedient servant,

Sd/-M.V. Rangachari.
Deputy Secretary to the Govt. of India.

No.D-9783-B/47

Copy forwarded to the Secretary to the Government of Madras in the Finance Department with reference to his telegram No.32152-WM-3, dated the 10-11-1947.

Copy also forwarded to the A.G., Madras for information.

By Order, etc.

Sd. M.V. Rangachari.

Deputy Secretary to the Government of India.

/TRUE COPY/

RS/30/11/53

GOVERNMENT OF MADRAS.
Finance (Ways & Means) Department.

U.O.Note No.32152-W.M.-4, dated 5th December, 1947.

***

Sub: Effective rate of interest on the borrowings of the Provincial Government in 1947-48.

The effective rate of interest on the borrowings of the Madras Government during 1947-48 rounded to the next higher quarter per cent has been calculated and fixed at 3 per cent per annum. This rate of 3 per cent per annum may be adopted as the effective borrowing rate for the purpose of fixing the rates of interest to be charged on the various loans and advances to be made by the Government.

Sd. x x x
4-12-1947

To Finance (Accounts-A) Department.
Copy to Finance (E.A)
Copy to Finance (B.G)
Copy to Public Works Department.

/TRUE COPY/

R. Thiagarajan 4.2.54

OFFICE ASSISTANT,
Madras Record Office.

RS/

14/12 14.12

to File

From the Govt. of India, Ministry of Finance, No.D.9783-B/47, dated the 13th November 1947.

From the Accountant General, Central Revenues, No.BK-4-1943, dated the 26th November 1947.

***

The letters from the Government of India, Ministry of Finance and the Accountant General, Central Revenues, on pages 16 and 17 C.F. may be perused.

2. The loan of Rs.6 crores has been credited to this Government's account with the Bank on the 15th November 1947. Interest at 2-7/8% ~~per cent~~ per annum is payable half-yearly on the 15th May and 15th November each year.

There is no further action pending in this file except in regard to the fixation of the effective rate of borrowing in the current year, for the purpose of fixing the rates of interest to be charged on the loans and advances to be made by the Government.

In regard to the open market loans, the effective borrowing rate is calculated on the basis of the nominal rate of interest, discount in the issue price and other incidental charges incurred by the Government in connection with the flotation of the loan, and rounded to the next higher quarter per cent per annum. In 1946-47, the loan of Rs.4.09 crores raised in the open market carried a nominal rate of interest of 2¾ per cent. When flotation and other incidental charges were added, the effective borrowing rate worked out to 2.76 per cent which was rounded to the next higher quarter per cent and fixed at 3 per cent per annum. During the current year, we have taken a loan of Rs.6 crores from the Government of India bearing interest at 2.7/8 per cent per annum. This rate may, as usual, be rounded to the next higher quarter per cent and the effective borrowing rate fixed at 3 per cent per annum. A draft u.o. note is submitted. After issue the papers may be recorded as a G.O. for facility of future reference.

Sd. x x x
3-12-1947.

G.O.No.963, dated 8-12-1947.

Abstract:

Ways and Means - Borrowings in 1947-48 from the Central Government - Papers recorded.

Sd. x x x
Secretary to Government.
4-12-1947.

/TRUE COPY/ R. Thiagarajan 12.2.59

OFFICE ASSISTANT,
Madras Record Office.

RS/30/11/5